



Missouri Department of Elementary and Secondary Education

— Making a positive difference through education and service —

January 17, 2003

TO: School District Administrators

FROM: Gerri Ogle, Associate Commissioner, Administrative and Financial Services
Dale Carlson, Director, School Finance
Tom Quinn, Director, School Governance

RE: January Finance/Transportation/Governance Information

Enclosures

The following documents are included in this envelope:

Payment Sheets
Basic Formula Calculation
Review of Audit File Memo – if applicable

Prior Year (2001-02) Proration Factor - Basic Formula Adjustment

Each year the prior year apportionment is recalculated from November through the following June. Therefore, the amount due the district for 2001-02 will be recalculated each month from November 2002 through June 2003. There will likely be prior year corrections in each of the remaining months of the 2002-03 payment year due to continued data corrections which change the 2001-02 proration factors. A detailed explanation for the prior year apportionment recalculation was provided in the November 2002 monthly memo. The 2001-02 proration factors have decreased from the June 2002 factor as follows:

| | <u>Line 1A & 14A</u> | <u>Line 1B & 14B</u> |
|--|--------------------------|--------------------------|
| June 2002 Proration Factor: | 1.00000000 | 0.97852605 |
| November 2002 Recalculation of the 2001-02 Proration Factor: | 0.99951523 | 0.94951523 |
| December 2002 Recalculation of the 2001-02 Proration Factor: | 0.99957995 | 0.94957995 |
| January 2003 Recalculation of the 2001-02 Proration Factor: | 0.99951498 | 0.94951498 |

Current Year (2002-03) Proration Factor

Two Basic Formula calculations were made for the November (1st Live) payment. The first calculation, labeled as SASM 1355, represents the Basic Formula calculation using statutory language in effect prior to August 28, 2002 (prior to the implementation of HB 1711) and is referred to as the 2 month calculation. The proration factor used in that calculation represents the proration of available Basic Formula and Line 14 dollars using the previous definitions of the formula. The 2 month formula calculation will not be recalculated each month. The second calculation completed in November, labeled as SA 128, represents the Basic Formula calculation subsequent to the implementation of HB 1711 and is referred to as the 10 month calculation. The SA 128 Basic Formula calculation will be recalculated each month. Be aware that the proration factors may change slightly from month to month during the remainder of the 2002-03 school year.

| | <u>Line 1A & 14A</u> | <u>Line 1B & 14B</u> |
|--|--------------------------|--------------------------|
| November 2002 SASM 1355 (2 Month Calculation-Current Year) | 0.97914239 | 0.92914239 |
| November 2002 SA 128 (10 Month Calculation-Current Year) | 0.99748091 | 0.94748091 |
| December 2002 SA 128 (10 Month Calculation-Current Year) | 0.99722573 | 0.94722573 |
| January 2003 SA 128 (10 Month Calculation-Current Year) | 0.99720839 | 0.94720839 |

2002-03 Basic Formula and Line 14 Payments

At this time the Governor has no plan to withhold Basic Formula and Line 14 (At-Risk) payments to districts in May or June. The Governor continues to express his commitment to not withhold money from the Foundation Program. However, the state budget for FY03 is out of balance in the range of \$250 to \$350 million. The legislature has been asked to approve the tobacco securitization measures to balance the FY03 budget. Without this approval, or some other revenue source, the Governor will have to withhold that amount in the FY03 budget. This will likely result in cuts to higher education and K-12 education. Please be conservative in your expenditures for the remainder of FY03 and as you develop budgets for FY04.

2003-04 Governor's Budget Proposal

Governor Holden delivered his State of the State address January 15 and outlined a comprehensive plan for dealing with Missouri's current budget shortfall and financial needs for next year (Fiscal Year 2004). He presented an array of legislative and budget proposals to be considered by the General Assembly. Governor Holden refuses to budge from his commitment to protect funding for public education in this state, and for K-12 schools in particular. The major components for education are:

Basic Formula and Line 14

- replacement of the \$168 million non-recurring revenue for the Basic Formula and Line 14 so that the total state dollars for FY04 equal the FY03 amount of \$2,175,891,721. Funding of the replacement dollars is proposed from:
 - Increasing the admission fees to gaming boats by \$2. The state and home dock city or county share proceeds from the current \$2 admission fee.
 - Removing the current provision that limits to \$500 the amount riverboat gaming patrons may lose during each two-hour cruise.
 - Increasing the adjusted gross receipts tax on riverboat gaming from 20 to 22 percent. This tax is paid by riverboat operators on the amount lost by patrons.

Remember, constant dollars for the state formula as a whole does not mean constant (same) state dollars to each district. Districts will not receive the same amount of state money in FY04 as FY03 due to the FY04 GTB of \$147,022 and district changes in eligible pupils, tax rates, assessed valuations, free and reduced lunch eligible pupils, etc. If the replacement of this \$168 million non-recurring revenue is approved for FY04, the proration factors are estimated to be approximately .95 on Lines 1A and 14A and .90 on Lines 1B and 14B. If the legislature does not approve the replacement of the \$168 million non-recurring revenue, either through the Governor's funding proposal or another, the proration factors are estimated to be approximately .91 on Lines 1A and 14A and .86 on Lines 1B and 14B. In both cases the proration factors are estimates and the actual factors may be slightly higher or lower than the estimates. Please use the Basic Formula calculation tool on the School Finance website to assist you in making projections.

Foundation Categorical Programs

| | FY 2003 <u>APPROPRIATION</u> | FY 2004 <u>APPROPRIATION</u> |
|-----------------------------------|---------------------------------|---------------------------------|
| Transportation | \$162,067,713 | \$162,067,713 |
| Gifted | \$ 24,870,104 | \$ 24,870,104 |
| Special Education | \$149,617,982 | \$149,617,982 |
| Remedial Reading | \$ 11,096,925 | \$ 11,096,925 |
| Early Childhood Special Education | \$ 69,621,995 | \$ 81,274,784* |
| Career Ladder | \$ 38,454,774 | \$ 38,069,056** |
| Vocational Education | \$ 52,880,428 | \$ 52,880,428 |
| Parents as Teachers | \$ 30,304,651 | \$ 30,304,651 |

Proration estimates will be provided as soon as possible by the responsible division or section.

* A court decision requires the state to fund the increasing costs of early childhood special education.

** The Career Ladder appropriation recommendation has been reduced by 1% from the FY03 level. The FY04 appropriation allows the payment in July for the work done for the immediate preceding school year ending June 30, 2003. The FY03 Line 1A proration factor of the Basic Formula is approximately 1% below the full funding level. The Career Ladder categorical proration cannot exceed the Basic Formula proration. The state Career Ladder payment for the work done in the 2002-03 year is currently projected to be 99% of the entitlement amount. Districts may choose to consider increasing the local payment by the amount of the difference.

Other Education Areas

- add \$4.4 million to reinstate funding for MAP in the areas of science, social studies, and health/physical education;
- add \$1.4 million for the expansion of the Missouri Preschool Project; and
- reduce technology grant funding by \$348,485 and transfer the funding for the MoreNet contract to Higher Education

Now, the legislative process begins in earnest. Department staff and the education lobbyists will be busier than ever with legislative hearings, budget issues, and answering questions for new legislators. Many things can happen, and many things may change, between now and the end of the session. Particularly this year, there will be rumors galore! Department staff will do their best to keep you accurately informed.

Core Data Screen 15 - Home School/Free and Reduced Lunch Data

The Home School/Free and Reduced Lunch Data Core Data Screen 15 is used to collect the number of students eligible for free or reduced price lunch as of the last Wednesday in January (January 29, 2003) in two categories described in the Core Data Collection System Manual – Federal Programs Head Count and SB 380 Free or Reduced Lunch Eligible Students. A description of each follows:

Federal Programs Head Count of Free or Reduced Lunch Eligible Students

1. Report the head count taken on January 29, 2003 of children ages 5-17 inclusive (as of October 1, 2002) who reside in the district, whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process) and who do not attend a private or parochial school.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count process.)
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Students are reported by their county of residence. (Desegregation students are counted by the district in which the student resides.)

SB 380 FTE Resident Free or Reduced Lunch Eligible Students

1. Report the full-time equivalency count of resident students enrolled in grades K-12 on January 29, 2003 and in attendance one of the 10 preceding school days whose eligibility for free or reduced lunch is documented (through the application process using federal eligibility guidelines or through the direct certification process).
2. Report eligible students on a full-time equivalency (FTE) basis. A student attending one-half day is counted as .5, one-fourth day as .25, etc.
3. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
4. Nonresident students are to be counted by the district which pays the tuition for those students and are reported as "Resident II Students".
5. Do not count students for whom the Department does not distribute state aid. (Students in preschool, the Parents as Teachers Program or state schools are not counted for state aid purposes.)
6. Students are reported by attendance center. The total free and reduced lunch eligible students for an attendance center may not exceed the attendance center's January membership count reported on Screen 16.
7. Desegregation students are considered residents of the district in which the students are educated. Deseg In free and reduced lunch student counts are reported in separate columns for each attendance center.

The above two described counts of students eligible for free or reduced price lunch may differ from the count used by School Food Service in the National School Lunch Program. The criteria for the **National School Lunch** count of free or reduced lunch eligible students include:

1. Report on the monthly lunch claim for food service reimbursement the highest number of students eligible for free or reduced price lunch during the month being reported.
2. Report students on a head count basis. (Both part-time and full-time students are counted as 1 in the head count.)
3. Eligible students are those eligible for free or reduced price meals that have access to the lunch program. This eligibility would include PK students and students up to age 21 that are enrolled in a high school grade and are allowed access to the lunch program.
4. Eligible students are counted regardless of whether or not they actually eat lunch/breakfast.
5. Students are reported by the district in which they are educated.

Core Data Screen 16 - January Membership

The January 2003 membership count of resident students who were enrolled on January 29, 2003, and were in attendance one of the previous ten school days is to be entered on Core Data Screen 16 and submitted on the 2002-03 February Core Data Collection Cycle due to DESE by February 15, 2003.

Estimated Eligible Pupils

Section 163.036, RSMo, permits districts to be paid in the Basic Formula on the greater of the current year estimated eligible pupils (EP), the first preceding year actual EP, or the second preceding year actual EP. During the 2002-03 year, districts will be paid on the greater of the 2000-01 EP, the 2001-02 EP, or the estimated 2002-03 EP. This allows a district decreasing in eligible pupils to adjust to the decrease more gradually. Conversely, if the current year is higher, using an estimate allows districts gaining in eligible pupils due to increases in enrollment, increases in attendance rate, and/or increases in the immediate preceding summer school attendance to receive funds in 2002-03 for those increases to assist the districts in providing services to their students. The DESE Basic Formula computer program compares the three numbers and uses the highest. No special request by the district is needed for DESE to use the highest number.

The district may have entered an estimated EP number for 2002-03 on the August Core Data Screen 2 or may now enter an estimated number. The Estimated Eligible Pupil field on Screen 2 should only be completed if the district expects the 2002-03 EP to be greater than the actual 2000-01 or 2001-02 EP. If the district entered an estimated EP number on Screen 2 of the 2002-03 August Core Data that is less than or equal to the actual EP for 2000-01 or 2001-02, the district should revise Screen 2 and delete the estimated EP. Contact School Finance staff if you have questions about estimating EP.

It is important that districts monitor the actual current year eligible pupil (EP) number closely over the next few months. If the district experienced growth in the 2002 summer school attendance or is experiencing growth in the 2002-03 regular term, you are strongly encouraged to submit an estimated EP on Core Data WEB Screen 2. There is no reason to delay submitting an estimated EP under these conditions. If the district has a significant increase in EP (which includes the 2002 Summer school count) and elects not to estimate for the 2003 school year, the district could see a reduction from the June 2003 calculation of the formula when FY03 is recalculated in November 2003 and cause a reduction for nearly all other districts.

Estimates or revisions to estimates must be made by May 15, 2003.

Review of Audit File Memo

School districts are required to submit to DESE their audit reports, a copy of the management letter (if the auditor prepares one) and a copy of the board minutes or board resolution accepting the audit report. Many 2001-02 audit reports have not been submitted or were submitted without one or both of the other required documents. Districts whose audit file was missing one or more items (as of January 15th) have a Review of Audit File memo included with this mailing. Please submit requested items to School Finance as soon as possible.

SCHOOL TRANSPORTATION

January Payment

Enclosed is a copy of the school district's January 2003 state transportation aid calculation (BU110) for the 2002-03 payment cycle. This calculation is based on 2001-02 school year data taken from state transportation aid documents (Application for State Transportation Aid, School Bus and Facility Depreciation Schedules) and the Annual Secretary of the Board Report (ASBR). The percent of reduction to the calculated entitlement computed for the January 2003 payment is 15.544033%. For those using the transportation aid calculation computer program, the January 2003 state constant for the A factor is 2.136960 and the B factor is 1.471289.

Transportation Calculation Excel Spreadsheet Website Link

A link is available on the School Transportation website under Entitlement Calculation to a Microsoft Office Excel spreadsheet of the transportation aid calculation. After the district downloads this program, the district simply inputs the ridership, mileage, expenditure and revenue data and the program will calculate the district's transportation aid based on that data. The district should then save the program on its computer. The proration percentage and the state constant A and B factors must always be updated with the latest projected numbers.

Ridership List

Remember, on the second Wednesday of February (February 12, 2003) the district needs to finalize the second ridership list for the current school year. This list should be a compilation of the students' names that regularly ride the bus from the beginning of the second semester to the February 12th count day and should identify which students are eligible for state transportation aid (those living one mile or more from school) and those ineligible for state transportation aid (those living less than one mile from school). The ridership list should not be a listing of all students who are eligible or ineligible to ride the buses nor should it be a listing of only those students riding on the count day, but should be a listing of students regularly riding the buses. A student should ride the bus a minimum of once a week to be considered a regular rider.

Coding Change - Ineligible Non-Route Mile Expenditures

Effective July 1, 2003, there will be a change relating to the coding of non-route mile costs by districts. Starting July 1, 2003, Object Code, 6342 - Other Contracted Pupil Transportation - Non-Route, may only be used in conjunction with Function Codes 2551 (Contracted Pupil Transportation Services), 2553 (Contracted Handicapped Transportation Services), 2555 (Payments to Other Districts for Non-Handicapped Transportation), or 2556 (Payments to Other Districts for Handicapped Transportation).

The following describes how districts should code non-route mile costs starting July 1, 2003:

Contracted Transportation Non-Route Mile Costs - All contracted transportation programs are required to code non-route mile costs to Function Code 2551, 2553, 2555, or 2556, Object Code 6342. Effective July 1, 2003, and thereafter, if a contracted district does not use Function Code 2551, 2553, 2555, or 2556 when using Object Code 6342, the costs coded to Object Code 6342 will not be pulled into the transportation calculation as part of the district's allowable costs.

District Operated Transportation Non-Route Mile Costs - All district operated programs are required to code non-route mile costs to Function Code 2552 or 2554, and use all applicable Object Codes along with all other to-and-from school route costs. Object Code 6342 should not be used by district operated programs. Effective July 1, 2003, and thereafter, any costs coded to this Object Code by a district operated program will not be pulled into the transportation calculation as part of the district's allowable costs.

If a school district wants to track ineligible, non-route mile expenditures (i.e., field trips and activity trips) separate from the home-to-school-to-home route costs, project codes, such as 2551.01, should be utilized. To charge instruction for the cost of field trips, it will be necessary to do so through the school budget (allotting so much of the instructional budget to transportation, but not actually coding the expense to instructional codes). To charge activity accounts for the cost of transportation associated with activity trips, it will be necessary to determine the amount to be charged, and then perform the following entries or similar entries:

| Date | Sub-Fund for Activity Accounts | <u>A/C No.</u> | <u>Debit</u> | <u>Credit</u> |
|-------------|---------------------------------------|-----------------------|---------------------|----------------------|
| 06/30/xx | Fund Balance | 3112 | \$XXX | |
| | Cash in Banks | 1111 | | \$XXX |
| Date | General Fund | <u>A/C No.</u> | <u>Debit</u> | <u>Credit</u> |
| 06/30/xx | Cash in Banks | 1111 | \$XXX | |
| | Fund Balance | 3112 | | \$XXX |

It will be necessary for the school district to keep proper documentation regarding the purpose of such transactions. It will also be necessary to provide documentation to the various student organizations as to why the fund balance decreased since this will not show as an actual expense on the organization's statements unless the statements are manually prepared.

*Please remember that districts **should not** start using this method until July 1, 2003, **but must after July 1, 2003**, or the proper costs will not be used when calculating the district's state transportation aid. District operated systems should have been using this method already, but for those who were not, it will be necessary to start so the proper cost will be used in calculating the district's state transportation aid.*

SCHOOL GOVERNANCE

There are no School Governance topics this month.